GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3440
ANSWERED ON:07.09.2007
INCREASE IN THE INTEREST ON CREDIT CARDS
Singh Shri Mohan

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that interest rates are being increased by some banks arbitrarily for their credit card holders;

(b) if so, the reasons therefor;

(c) whether Government has information regarding the total number of credit card holders in the country and the total transaction made through these credit cards during the last year; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : In terms of Master Circular on credit card operations issued by Reserve Bank of India (RBI) on 2nd July, 2007, banks have been advised that credit card dues are in the nature of non-priority sector personal loans and as such banks are free to determine the rate of interest on credit card dues without reference to their Benchmark Prime lending Rate (BPLR). However, the banks have been advised that the annualized percentage rate (APR), the method of calculation of APR, late payment charges including the method of calculation, the manner in which the outstanding unpaid amount is to be included for calculation of interest, etc. on credit card dues should be indicated by card issuing banks in the `Welcome Kit` and monthly statement. Banks have also been advised to be transparent in fixing their interest rate / service charge on credit card dues and include the above in the Most Important Terms and Conditions (MITCs). Further, credit card scenario is being constantly monitored and instructions to banks on their credit card operations are issued by the RBI, on an ongoing basis.

(c) & (d) : As at the end of March 2006 and 2007, a total of 164,82,615 and 225,07,167 credit cards existed in the country respectively, issued by all the scheduled commercial banks operating in India, and a sum of Rs. 14,316 crore and Rs. 20,994 crore was outstanding on account of these credit cards as at the end of March, 2006 and 2007 respectively. A total of 18,91,87,342 transactions were made through these credit cards during the period 1st July, 2006 to 30th June, 2007.